

Message Text

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ORIGIN EB-07

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TREAS:JBUSHNELL

TREAS:SLYON

TREAS:FMARESCA

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FM SECSTATE WASHDC

TO AMEMBASSY WARSAW IMMEDIATE

C O N F I D E N T I A L STATE 066330

E.O. 11652: GDS

TAGS: EFIN

SUBJECT: PL-480 - ANNUITY NEGOTIATIONS

1. UNLESS EMBASSY SEES PROBLEMS WITH CONTENTS, REQUEST YOU
PRESENT FOLLOWING NOTE TO GOP AT EARLIEST OPPORTUNITY.

2. BEGIN TEXT: THE EMBASSY OF THE UNITED STATES PRESENTS
ITS COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS OF THE
PEOPLES REPUBLIC OF POLAND, AND HAS THE HONOR TO REFER TO

THE DISCUSSIONS HELD IN WARSAW ON NOVEMBER 22-24, 1974 CON-
CERNING THE REQUEST BY THE GOVERNMENT OF POLAND FOR BALANCE
OF PAYMENTS RELIEF BY DEFERRAL OF ZLOTY REPURCHASE OBLIGA-
TIONS INCURRED UNDER PL-480 AGREEMENTS, AND THE WILLINGNESS
OF THE GOVERNMENT OF THE UNITED STATES TO TERMINATE THE 1968
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U.S.-POLISH ANNUITY AGREEMENT.

3. IN CONSIDERATION OF THESE DISCUSSIONS, THE GOVERNMENT OF THE UNITED STATES IS NOW PREPARED TO SETTLE THESE ISSUES ON THE FOLLOWING BASIS. THE GOVERNMENT OF THE UNITED STATES WOULD AGREE TO TERMINATE THE 1968 U.S.-POLISH ANNUITY AGREE-

MENT AS OF JUNE 30, 1975 AND RETURN TO DIRECT DOLLAR PAYMENTS TO ANNUITANTS RESIDENT IN POLAND, THUS PROVIDING AN

ESTIMATED DOLLAR INFLOW TO POLAND OF OVER 34 MILLION DOLLARS DURING THE PERIOD OF JULY 1975 THROUGH JULY 1978. THE GOVERNMENT OF POLAND WOULD AGREE TO CONVERT A PORTION OF THESE CHECKS INTO PKO COUPONS AND THE BALANCE AT A SPECIFIC MINIMUM ZLOTY-DOLLAR RATE WHICH WOULD REFLECT CONSIDERATIONS OF EQUITY REGARDING THE RECIPIENTS OF U.S. ANNUITIES IN POLAND. BEGINNING JANUARY 1, 1978, THE GOVERNMENT OF POLAND WOULD SET THE ANNUITANTS' EXCHANGE RATE AT THE LEVEL WHICH IT FEELS IS APPROPRIATE, PROVIDED THAT THE EXCHANGE RATE GIVEN U.S. ANNUITANTS IS THE MOST FAVORABLE ONE LEGALLY AVAILABLE AND IN NO CASE LESS THAN THE RATE PROVIDED ANNUITANTS FROM OTHER COUNTRIES.

4. SHOULD THIS TYPE OF ARRANGEMENT PROVE ACCEPTABLE, THE GOVERNMENT OF THE UNITED STATES IS FURTHER PREPARED TO PROVIDE A FINAL DEFERRAL TOTALING DOLS. 15,160,000 ON POLISH REPURCHASE OBLIGATIONS OF ZLOTYS FROM THE UNITED STATES PL-480 ACCOUNT. THE DEFERRALS WOULD BE: DOLS. 2,170,000

DUE JUNE 1, 1975 FROM THE PL-480 LOAN OF JUNE 7, 1957; DOLS 4,330,000 DUE JULY 1 OF 1975, 1976 AND 1977, FROM THE PL-480 LOAN OF JULY 21, 1960.

5. THE GOVERNMENT OF THE UNITED STATES WOULD REQUIRE AN INTEREST RATE CHARGE OF EIGHT AND ONE-HALF PERCENT ON THE DEFERRED REPURCHASE TRANCHES. THE GOVERNMENT OF POLAND WOULD MAKE REPAYMENTS IN EQUAL ANNUAL INSTALLMENTS, WITH ONE YEAR GRACE ON EACH TRANCHE DEFERRED. FINAL PAYMENTS ON ALL DEFERRED AMOUNTS WOULD BE DUE NOT LATER THAN THE END OF 1982.

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6. THE EMBASSY OF THE UNITED STATES PROPOSES THAT TALKS RESUME IN WASHINGTON, AS PREVIOUSLY AGREED, AT AN EARLY DATE CONVENIENT TO THE GOVERNMENT OF POLAND. END TEXT.

7. IN PRESENTING THIS NOTE TO THE FOREIGN OFFICE AND, IF POSSIBLE, WHEN YOU REVIEW IT WITH VICE MINISTER OF FINANCE KRZAK, YOU MIGHT INDICATE ONE EXAMPLE WE ARE CONSIDERING OF A POSSIBLE EXCHANGE RATE PHASEDOWN FOR U.S. ANNUI-

TANTS AFTER TERMINATION OF THE 1968 AGREEMENT IS: 55:1 FOR

THE SIX MONTHS JULY 1 - DEC. 31, 1975; 50:1 FOR THE SIX MONTHS JAN. 1 - JUNE 30, 1976; 45:1 FOR THE 18 MONTHS JULY 1, 1976 - DEC. 31, 1977. WE WOULD WELCOME THE VIEWS OF THE GOP AS TO WHAT EXCHANGE RATE PROVISIONS IT WOULD CONSIDER REASONABLE AND EQUITABLE TO U.S. ANNUITANTS DURING THE TRANSITIONAL PERIOD. FYI - WE WOULD CONSIDER SHORTENING DURATION OF TRANSITIONAL PERIOD.

8. EMBASSY SHOULD SUGGEST TIMING OF FIRST WEEK OF APRIL OR WEEK OF APRIL 14-18.

9. FOLLOWING NOTIFICATION WILL APPEAR IN ENGLISH AND POLISH IN ALL APRIL ANNUITY CHECKS. IDENTICAL NOTIFICATION WILL APPEAR IN SELECTED SOCIAL SECURITY OFFICES. EMBASSY MAY WISH TO PASS LANGUAGE TO GOP AT SAME TIME PARA 1 NOTE IS PRESENTED. BEGIN TEXT: THE UNITED STATES AND POLAND HAVE ENTERED INTO DISCUSSIONS REGARDING THE 1968 U.S.-POLISH ANNUITY AGREEMENT UNDER WHICH U.S. ANNUITANTS RESIDENT IN POLAND PRESENTLY RECEIVE ZLOTYS AND PKO COUPONS THROUGH PKO BANKS IN EXCHANGE FOR DOLLAR VOUCHER CHECKS. THESE DISCUSSIONS ARE EXAMINING BOTH THE METHOD OF PAYMENT AND THE PRESENT 60:1 EXCHANGE RATE IN VIEW OF THE JANUARY 1 REVALUATION OF THE PKO RATE. ALL ANNUITANTS WILL BE NOTIFIED IN ADVANCE OF ANY CHANGE IN THE EXCHANGE RATE OR METHOD OF PAYMENT. END TEXT.

10. PLEASE ADVISE DEPARTMENT WHEN NOTE TRANSMITTED AND GOP

REACTION. ALSO ADVISE BY IMMEDIATE CABLE IF YOU SEE PROBLEM WITH LANGUAGE FOR INCLUSION IN APRIL ANNUITY CHECKS.

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11. PARA 3, LINE 11, CHANGE "SPECIFIC" TO "SPECIFID"
MINIMUM ZLOTY-DOLLAR . . . KISSINGER

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NNN

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